GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1970
ANSWERED ON:05.08.2005
VAT IMPLEMENTATION
Chinta Mohan Dr. ;Singh Shri Rajiv Ranjan (Lalan)

Will the Minister of FINANCE be pleased to state:

(a) whether uniform tax structure has emerged after the implementation of VAT in various States of the country;

(b) If so, the details of the witnessing uniform tax structure after implementation of VAT;

(c) If not, the names of the States where uniform tax structure has not been implemented as yet alongwith the reasons therefor; and

(d) The steps being taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (d): VAT, being a tax on sale or purchase of goods within a State, is a State subject under Entry 54 of the State List of the Constitution of India. The tax structure under VAT has been finalized by the States collectively, through the deliberations in the Empowered Committee of State Finance Ministers (EC) and the same has been adopted by all the States/ UTs who have implemented VAT. The tax structure consists of two basic rates of 4% and 12.5%, with an exempt category, a special rate of 1% for a few items and a 20% floor rate of tax for items outside VAT. There are a few cases of deviations by some States from the uniform tax structure, which are being addressed by the EC from time to time. Further, the States/ UTs that have not implemented VAT continue to follow the earlier Sales Tax structure, which is different from VAT. VAT being a State subject, the Central Government is only playing a facilitating role in adoption of uniform tax structure under VAT by the States..